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CENTRAL INTELLIGENCE AGENCY

INFORMATION REPORT

REPORT NO.

CD NO.

COUNTRY East Germany

DATE DISTR. 6 August 1953

SUBJECT Financial Situation at Funkwerk Koepenick

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(LISTED BELOW)DATE OF
INFO. 18 May 1953

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SUPPLEMENT TO
REPORT NO.

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1. Early in the morning [redacted] six men appeared at the office of Technical Director Kurt Pfeil of Funkwerk Koepenick and introduced themselves as members of a commission set up by the government and the Central Committee of the SED for the purpose of investigating the financial situation at the Funkwerk. They ordered Pfeil to turn over to them all documents pertaining to the plant's finances and requested him to leave his office, which they locked after him.
2. At about 4:00 p.m. of the same day the following men were ordered to appear before the commission: Pfeil, Plant Director Paul Boehr, Commercial Director Erich Schlemminger, Chief Bookkeeper Heini Bruehl, Chief of Development Area I Walter Heine and Chief of Development Area II Bernhard Vinzelberg. They were told by the commission that the following measures had been decided upon in view of the financial situation at the plant:
 - a. The 1.8 Million DME previously approved for the construction of the L building will be saved. The L building, a new construction for which ground work has already started, was supposed to house cultural installations, a plant kitchen, and a technical wing. Cutting of the funds allotted for this construction means that only the basement can be completed in 1953.
 - b. The construction of Test Stand No. 3, as well as construction improvements on Building 28, are to be entirely cancelled. Building 28 now houses two test stands. Construction of the third test stand, which is urgently needed, was to begin soon. Cancellation of the test stand construction project will save the plant 300,000 DME.
 - c. 130,000 DME is to be cut from the general development budget. Boehr immediately protested against these measures and stated that he would lodge a formal complaint with higher authorities. He was informed that these economy measures had been ordered, and that the Central Committee would see to it that they were complied with. The commission then left.
3. The visit by the commission was the result of several petitions which Boehr had sent to the Main Administration for Wireless Communications

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(HV Funk) during March, April, and May 1953. In these petitions Boehr had pointed out that the financial situation at Funkwerk Koepenick was critical. An increase in salaries paid by the plant, along with the usual flaws present in a planned economy, were responsible for the situation. After Funkwerk Koepenick turned in its 1953 financial plan, it received orders from the government to increase medium-bracket salaries (engineers, technicians, etc.) up to 60 percent. The plant pointed out to the government that such a move would seriously upset its finances, since the vast majority of technicians employed at Koepenick received medium-bracket salaries. Boehr was requested to turn in a second financial plan, taking into account the increase in salaries. The increase in funds requested by Boehr in the second plan was not accepted; indeed, the plant was finally granted 15 percent less funds than allotted in the original plan.

4. In order to comply with the government's demand for higher salaries, Funkwerk Koepenick has had to draw heavily on its bank credits. As a result, the bank credits allotted for general development during the second quarter of 1953 are completely exhausted. In addition, the plant has already drawn 900,000 DEM of its credits for the third quarter of 1953. The bank has warned Funkwerk Koepenick that further advances cannot be granted. The last sums of available cash had to be used to make the 19 March payroll.
5. The measures ordered by the commission which visited the Funkwerk will in no way improve the financial condition of the plant. The plant management has confidentially estimated that the plant will be ruined financially by the end of July, at the latest, if the government does not grant it new credits.

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